

**MONTEBELLO OVERSIGHT BOARD
AGENDA STAFF REPORT**

TO: Honorable Chair and Members of the Oversight Board

FROM: Francesca Tucker-Schuyler, Executive Director of Successor Agency

BY: Steve Kwon, Interim Finance Director for Successor Agency
Christopher G. Cardinale, Successor Agency Legal Counsel

SUBJECT: Consideration of Successor Agency's Recognized Obligations Payment Schedule and Administrative Budget for Fiscal Year 2016-2017

DATE: January 25, 2016

OBJECTIVE

Obtain Oversight Board approval of the Successor Agency's Recognized Obligation Payment Schedule and Administrative Budget covering the 2016-2017 Fiscal Year.

BACKGROUND

A. The Dissolution Law – ROPS and Administrative Budget Requirements

The Community Redevelopment Agency of the City of Montebello ("**Agency**") was dissolved effective February 1, 2012, by Assembly Bill 1x 26 ("**AB 26**") and the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*. As authorized by AB 26, the City Council of the City of Montebello ("**City**") adopted a resolution electing to serve as the "successor agency" to the dissolved Agency (the "**Successor Agency**"), and thereby assumed responsibility for winding down the Agency's affairs.

Under AB 26, the Successor Agency's responsibilities included preparing a Recognized Obligations Payment Schedule ("**ROPS**") for each six (6) month fiscal period that listed payments due on all "enforceable obligations" during that period. Before it became effective, each ROPS was required to be approved by the Montebello Oversight Board ("**Oversight Board**") and the Department of Finance ("**DOF**"). The Oversight Board has previously approved several iterations of the Successor Agency's ROPS, and each has been by DOF.

AB 26 also required the Successor Agency to create an "administrative budget" for each six (6) month period. The administrative budget was required to include: (1) estimated amounts for successor agency administrative costs for the upcoming six (6) month period; (2) proposed payment sources for such costs; and (3) arrangements for administrative and operations services to be provided by the City. The administrative budget was required to be approved by the Oversight Board and DOF.

The Successor Agency's administrative budget is funded by the "administrative cost allowance," which – under the Dissolution Law – was three percent (3%) of the money allocated to the Successor Agency to pay approved enforceable obligations during the applicable payment period, or \$250,000, whichever was greater.

B. Changes Enacted by Senate Bill 107

In September 2015, Senate Bill 107 ("**SB 107**") became law and made significant revisions to the Dissolution Law. As relevant here, these changes included an annual ROPS to replace the bi-annual process described above.

The new process requires the Successor Agency to submit an Oversight Board-approved ROPS covering the 2016-2017 Fiscal Year to DOF before February 1, 2016.¹ This ROPS must include estimates of payments due on all enforceable obligations during the entire 2016-2017 Fiscal Year.

Once per ROPS period, but no later than October 1 of the applicable fiscal year, the Successor Agency may request an amendment to the ROPS; provided the Oversight Board finds a revision is necessary for the payment of approved "enforceable obligations" during the second half of the fiscal year. Amendments are only permitted to increase funding for enforceable obligations that have already been approved by the Oversight Board and DOF.

If the Successor Agency does not meet the February 1 deadline, SB 107 provides for the imposition of significant penalties against the City (e.g. a civil penalty of \$10,000 per day for each day, and reduction in the Successor Agency's administrative cost allowance).

DOF is required to issue a determination on the ROPS before April 15, 2016, and SB 107 preserves the Successor Agency's ability to dispute DOF determinations through a meet-and-confer process.

SB 107 also made changes to the administrative budget process. The Successor Agency's administrative budget must include the same information previously required, and must be approved by the Oversight Board. However, it no longer must be approved by DOF.

Additionally, SB 107 made changes to the administrative cost allowance available to fund the budget. Commencing July 1, 2016, the administrative cost allowance cannot exceed the lesser of the following: (1) three percent (3%) of the money allocated to the Successor Agency to pay approved enforceable obligations during the preceding fiscal

¹ ROPS covering subsequent fiscal years are required to be submitted to DOF each February 1, unless and until the Successor Agency obtains approval of a "Last and Final ROPS" in accordance with the procedures set forth in SB 107. Because the Successor Agency has added a few new items to the current ROPS, it does not qualify for submission of the Last and Final ROPS at this time.

year; (2) fifty percent (50%) of the money allocated to the Successor Agency to pay approved enforceable obligations during the applicable fiscal year; or (3) \$250,000.

DISCUSSION

The Successor Agency's ROPS covering the payment period of July 1, 2016, to June 30, 2017 ("**ROPS 16-17**"), is attached for the Oversight Board's consideration. Staff notes that the majority of the items are "hold-overs" from past ROPS. These items have been previously approved by the Oversight Board and DOF, and ROPS 16-17 merely requests funding for such items for the upcoming fiscal year.

However there are three (3) new items staff would like to highlight:

- 2015 Refunding Bonds (Items 47 and 48) – With Oversight Board approval, the Successor Agency recently refunded outstanding indebtedness of the former Agency. The debt service on the new bond issuance – the 2015A Successor Agency Tax Allocation Refunding Bonds (Tax-Exempt) and the 2015B Tax Allocation Refunding Bonds (Taxable) – are reflected at Items 47 and 48. With these refunding bonds, the bond issuances reflected at Items 1-4, 7-8, and 12 have been retired.
- Bond Proceeds Expenditure Agreement – This Agreement is to be considered by the Oversight Board as a separate agenda item. It was approved by the Successor Agency and City of Montebello on January 13, 2016, and provides for the Successor Agency's transfer of approximately \$4.6 million in unexpended redevelopment agency bond proceeds to the City. The City will use such proceeds for purposes consistent with the bond documents, with all expenditures subject to the approval of the City Council. This item will not be funded with property tax revenues, and will not impact the revenues available to pay other "enforceable obligations" or the revenues to be allocated to affected taxing entities.

If the Oversight Board has questions about any of the remaining items on the ROPS, staff is available to answer any questions and provide additional detail.

Also attached for the Oversight Board's consideration is the Successor Agency's Administrative Budget for the 2016-2017 Fiscal Year. Staff has prepared the budget in accordance with SB 107's revised requirements, and it allocates available funding to various administrative / overhead expenses of the Successor Agency. Pursuant to SB 107, if approved by the Oversight Board it will not be subject to DOF review.

SUMMARY

The Oversight Board will consider approval of the Successor Agency's Recognized Obligation Payment Schedule and Administrative Budget covering the 2016-2017 Fiscal Year, in accordance with the deadlines and procedures enacted by Senate Bill 107.

RECOMMENDATION

It is recommended that the Oversight Board adopt the following resolutions:

- A RESOLUTION OF THE MONTEBELLO OVERSIGHT BOARD APPROVING THE MONTEBELLO SUCCESSOR AGENCY'S RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE FOR FISCAL YEAR 2016-2017 (ROPS 16-17); and
- A RESOLUTION OF THE MONTEBELLO OVERSIGHT BOARD APPROVING THE MONTEBELLO SUCCESSOR AGENCY'S ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2016-2017

ATTACHMENTS

- Resolution Approving ROPS 16-17
- ROPS 16-17
- Resolution Approving the Administrative Budget for Fiscal Year 2016-2017
- Administrative Budget for Fiscal Year 2016-2017

City of Montebello Successor Agency
Administrative Budget
For the period July 1, 2016 to June 30, 2017

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Accounting costs for ROPS Preparation and other admin functions	8,983	8,983	8,983	8,983	8,983	8,983	8,983	8,983	8,983	8,983	8,983	8,983	107,796
Allocation of Indirect Payroll Cost for Economic Developmpment													
Personnel	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,004
Indirect Property Maintenance Costs	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Legal Administrative Costs	5,183	5,183	5,183	5,183	5,183	5,183	5,183	5,183	5,183	5,183	5,183	5,183	62,200
	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 250,000

Payment Source – Administrative Cost Allowance / RPTTF
Arrangements w/ City re Administrative Services – Successor Agency will utilize City staff / contracted professional service
providers to provide administrative support as appropriate

OB RESOLUTION NO. _____

**A RESOLUTION OF THE MONTEBELLO OVERSIGHT BOARD APPROVING THE
MONTEBELLO SUCCESSOR AGENCY'S ADMINISTRATIVE BUDGET FOR FISCAL
YEAR 2016-2017**

WHEREAS, the former Community Redevelopment Agency of the City of Montebello ("Agency") was a community redevelopment agency organized and existing under the California Redevelopment Law;

WHEREAS, the Agency was dissolved effective February 1, 2012, by Assembly Bill 1x26 (as subsequently amended from time to time, the "Dissolution Act") and the California Supreme Court's decision in *California Redevelopment Association v. Matosantos* (2011) 53 Cal.4th 231;

WHEREAS, the Dissolution Act created a "successor agency" for each dissolved redevelopment agency, and charged such agencies with completing various tasks and obligations geared towards "winding down" the affairs of their respective redevelopment agency;

WHEREAS, the Dissolution Act created an "oversight board" for each successor agency, and charged such boards with overseeing, reviewing, and approving enumerated successor agency actions;

WHEREAS, by resolution of the City Council, the City of Montebello serves as the successor agency to the dissolved Agency ("Successor Agency"), and the Montebello Oversight Board is the statutorily created oversight board of the Successor Agency ("Oversight Board");

WHEREAS, the Dissolution Act previously required the Successor Agency to prepare a proposed administrative budget for each six (6) month period and submit it to the Oversight Board and California Department of Finance ("DOF") for approval;

WHEREAS, Senate Bill 107 ("SB 107") was enacted in September 2015, and requires the Successor Agency to create an administrative budget for each fiscal year, and to submit it to the Oversight Board for approval;

WHEREAS, the administrative budget is required to include estimated amounts for Successor Agency administrative costs, proposed sources of payment for such costs, and proposals for arrangements for administrative and operations services provided by a city;

WHEREAS, under SB 107, the administrative budget is not subject to review and approval by DOF; and

WHEREAS, the Oversight Board has duly considered the Successor Agency's Administrative Budget covering the 2016-2017 Fiscal Year, as such is attached to this Resolution, and is satisfied that such complies with the statutory mandates of the Dissolution Act.

NOW THEREFORE, THE OVERSIGHT BOARD HEREBY FINDS, DECLARES AND RESOLVES AS FOLLOWS:

SECTION 1. The foregoing recitals are incorporated into this Resolution by this reference, and constitute a material part hereof.

SECTION 2. The Oversight Board hereby approves the Successor Agency's Administrative Budget for the 2016-2017 Fiscal Year as attached to this Resolution.

SECTION 3. The Secretary shall certify to the passage and adoption of this resolution, which shall become effective immediately upon adoption

PASSED, APPROVED and ADOPTED this 25th day of January 2016.

Richard Bruckner,
Oversight Board Chair

ATTEST:

Oversight Board Secretary

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the Montebello Oversight Board at its meeting held on the 25th day of January 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Oversight Board Secretary

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